

**LEGISLATIVE SERVICES AGENCY  
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**FISCAL IMPACT STATEMENT**

**LS 7151**

**BILL NUMBER:** HB 1396

**NOTE PREPARED:** Jan 3, 2011

**BILL AMENDED:**

**SUBJECT:** Exception to circuit breaker credit.

**FIRST AUTHOR:** Rep. Wesco

**FIRST SPONSOR:**

**BILL STATUS:** As Introduced

**FUNDS AFFECTED:**     **GENERAL**  
                              **DEDICATED**  
                              **FEDERAL**

**IMPACT:** Local

**Summary of Legislation:** This bill eliminates an exception to the circuit breaker credit for property taxes imposed in Lake County or St. Joseph County to pay debt service or make lease payments for bonds or leases issued or entered into before July 1, 2008.

The bill repeals a provision memorializing a determination made in 2008 by the General Assembly that the circuit breaker limits were expected to reduce in 2010 the aggregate property tax revenue that would otherwise be collected by all units of local government and school corporations in Lake County and St. Joseph County by at least 20%.

**Effective Date:** January 1, 2012.

**Explanation of State Expenditures:**

**Explanation of State Revenues:**

**Explanation of Local Expenditures:**

**Explanation of Local Revenues:** Under current law, the property tax circuit breaker limits net property tax bills to a percentage of the property's gross assessed value. The limits are 1.0% for homesteads; 2.0% for other residential property, commercial apartments, long-term care facilities, land under a mobile home, and land used for agricultural purposes; and 3.0% for all other real and personal property. Property tax levies for the payment of debt obligations that are approved in a referendum do not count towards the cap. In addition, the portion of a tax bill that is attributable to levies for existing debt in Lake and St. Joseph Counties are

eliminated from the calculation of the credit.

Beginning with property taxes payable in 2012, levies for existing debt in Lake and St. Joseph Counties would count towards the cap under this provision. The inclusion of these levies would increase the circuit breaker credits in both counties.

Under current law, the total circuit breaker credits in Lake County are estimated at \$122.1 M in CY 2012 and \$114.5 M in CY 2013. Under this provision, the credits are estimated at \$214.2 M in CY 2012 and \$200.3 M in CY 2013. The impact in Lake County is an increase in the credits of \$92.1 M in CY 2012 and \$85.9 M in CY 2013. The additional credits are both a tax reduction for taxpayers and a revenue loss for local civil taxing units and school corporations.

Under current law, the total circuit breaker credits in St. Joseph County are estimated at \$42.8 M in CY 2012 and \$43.2 M in CY 2013. Under this provision, the credits are estimated at \$75.6 M in CY 2012 and \$74.8 M in CY 2013. The impact in St. Joseph County is an increase in the credits of \$32.8 M in CY 2012 and \$31.6 M in CY 2013. The additional credits are both a tax reduction for taxpayers and a revenue loss for local civil taxing units and school corporations.

The total change in circuit breaker credits for both counties is an estimated increase of \$124.8 M in CY 2012 and \$117.5 M in CY 2013.

**State Agencies Affected:**

**Local Agencies Affected:** Civil taxing units and school corporations in Lake and St. Joseph Counties.

**Information Sources:** OFMA property tax database.

**Fiscal Analyst:** Bob Sigalow, 317-232-9859.